

GOVERNMENT OF TELANGANA
A B S T R A C T

RWS&S- Telangana Drinking Water Supply Project (Mission Bhagiratha) - Telangana Drinking Water Supply Corporation Limited - Borrowing of term loan amount of Rs.47.62 crores from Indian Bank as its share out of the total debt requirement of Rs.212.62 Crores in Vijaya Bank Consortium for providing financial assistance to Intra Village infrastructure development under segment viz., Godavari – Kothagudem, Dummugudem Segment, Khammam District (Segment 25/A is covering northern part of the Khammam District covering 22 mandals) under Mission Bhagiratha with an estimated hard cost of Rs.265.78 Crore-Accorded- Orders- Issued.

PANCHAYAT RAJ AND RURAL DEVELOPMENT (RWS-IV) DEPARTMENT

G.O.Rt.No.476.

Dated:12.07.2018

Read the following:-

1. G.O.Ms.No.17, PR&RD (RWS) Dept., dt.30.1.2015 & G.O.Ms.No.43, PR&RD (RWS.IV) Dept., Dt.15.5.2015.
2. G.O.Rt.No.665, PR&RD (RWS.IV)Dept.,dated.28.10.2017.
3. The Indian Bank, Bank Street, Koti, Hyderabad, Letter No.IBHYDM/ VT/337: CRO: 2017-18, dt: 15.02.2018.
4. Minutes of the Vijaya Bank Consortium, Dated: 04.6.2018.
5. From the ENC, RWS&S, Hyd, Lr.No. A2/TDWSP/ Vijaya Bank (C) /Intra Village /1118 /2017, Dt: 11.06.2018

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ORDER:-

In G.O. 1st read above, orders have been issued constituting the Telangana Drinking Water Supply Corporation (TDWSC) to execute and maintain the Telangana Drinking Water Supply Project (Mission Bhagiratha).

2. In the reference 5th read above, the Engineer-in-Chief, Rural Water Supply & Sanitation, Hyderabad has stated that during the consortium meeting the member banks have agreed to finance Intra village at the sharing of earlier sanctions of main segment with the terms and conditions of lead bank. The proposals were submitted to the Indian Bank for sanction of loan amount of Rs.47.62 crores as its share out of the total debt requirement of Rs.212.62 crores in Vijaya Bank Consortium for providing financial assistance to intra village system in segment viz., Godavari – Kothagudem, Dummugudem Segment, Khammam District (Segment 25/A is covering northern part of the Khammam District covering 22 mandals) under Mission Bhagiratha with an estimated hard cost of Rs.265.78 Crore. He has also stated that the Indian Bank, Hyderabad have sanctioned Rs.47.62 crores as its share for implementation of the above segment along with terms and conditions for acceptance of the competent authority in the 3rd read above. As such, he has requested the Govt., to provide concurrence/approval for the terms and conditions of loan sanctioned for the above segment and to issue necessary orders on the required documents to be provided by the Govt., in order to execute the loan agreement with Indian Bank.

3. In the reference 2nd read above, Government have issued orders according permission to the Managing Director, TDWSCL to take further loan of an amount of Rs.6,365.22. crores (including the Vijaya Bank Consortium of Rs.212.62 crores out of the total project cost of Rs.265.78 crore) as against the total project cost of Rs.7,956.52 crores duly extending the Govt. guarantee and providing required margin money of Rs.1591.30 crores through budgetary support.

4. In pursuance of the orders issued in the ref 2nd read above, Government after careful consideration of the matter, hereby accord permission to the Managing Director, Telangana Drinking Water Supply Corporation Limited to borrow the loan amount of Rs.47.62 Crores (Rupees Forty Seven crores Sixty Two Lakhs only) from the Indian Bank as its share out of the total debt requirement of Rs.212.62 crores in Vijaya Bank Consortium for providing financial assistance to Intra Village infrastructure development under segment viz, Godavari – Kothagudem, Dummugudem Segment, Khammam District (Segment 25/A is covering northern part of the Khammam District covering 22 mandals) under Mission Bhagiratha with an estimated hard cost of Rs.265.78 Crore, as per the terms and conditions of Vijaya Bank at the interest rate of one year MCLR+ 0.55% i.e.9.05 p.a at monthly rests at present.

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5. She is also permitted to execute the loan agreement with Indian Bank either by herself or authorize the Engineer-in-Chief, RWS&S & Director, TDWSCL, Hyderabad along with any other Director if required, as per resolution of the Board meeting of TDWSCL, dated: 10.11.2017. Government of Telangana will stand as guarantee for repayment of loan taken from Indian Bank covering principal and interest. The State margin money (i.e., 20% project cost) of Rs.11.905 crores (Rupees Eleven crores nine lakhs and Five thousands only) will be met by the Government of Telangana through budgetary support. The terms and Conditions approved by the Govt., are appended as annexure to this order.

6. The guarantee commission shall be paid at the rate of 2% consolidated for the entire guarantee period, as the guarantee commission can't be exempted as per RBI Guidelines. The TDWSCL shall remit the amount to Government to the following Head of Account: "0070 Other Administrative Services – 60 Other Services – MH 800 Other Receipts – SH 08 Commission for guarantee given by Government".

7. The Managing Director, Telangana Drinking Water Supply Corporation Limited shall take necessary action in the matter accordingly.

8. This order issues with the concurrence of the Finance (DCM) Department vide their U.O.No.4100/85/A1/2018, dated: 04.07.2018.

9. This order is available on online and can be accessed at the address <http://www.goir.Telangana.gov.in>.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

SMITA SABHARWAL
SECRETARY TO GOVERNMENT (RWS)(FAC)

To
The Managing Director,
Telangana Drinking Water Supply Corporation Limited, Hyderabad.
The Director of Treasuries and Accounts, Telangana State, Hyderabad.
The Accountant General, Telangana State, Hyderabad.

Copy to:

The PS to Secretary to Hon'ble Chief Minister,
The Finance (DCM) Department.
The PS to Secretary to Government, (RWS)
The Engineer -in-Chief, RWS&S, Hyderabad.
The Vijaya Bank, Hyderabad through ENC, RWS&S, Hyderabad.
The Indian Bank through ENC, RWS&S, Hyderabad.
The Advisor to Govt., RWS&S.,
SC/SF.

//FORWARDED::BY ORDER//

SECTION OFFICER

(Contd. to Annexure)

**Annexure to the G.O.Rt.No.476, PR&RD (RWS.IV) Dept.,
Dated:12.07.2018.**

The terms and conditions approved by the Government

| | | | |
|----|--|--|---|
| 1. | Name and address of the Borrower/s | M/s Telangana Drinking Water Supply Corporation Limited Room No 302, 3rd Floor, SRTGN Bhavan, Erramanzil Colony, Hyderabad 500082 CIN: U41000TG2015SGC097790 | |
| | | PAN | AAFCT2610P |
| | | Constitution of the borrower | Limited Company |
| | | Line of activity | To provide drinking water for the entire State of Telangana |
| | | Customer ID | 111844049 |
| 2. | Name and address of the Guarantor/s | Unconditional and Irrevocable guarantee of Government of Telangana State guaranteeing the repayment of Principal and Interest. | |
| | | PAN No./s | Not Applicable |
| 3. | Nature of facility (Secured/Unsecured) | | Secured |
| 4. | Type of Loan (WC/TL etc) | | Term Loan |
| 5. | Amount Sanctioned under Vijaya Bank Consortium | | Term Loan -1 : Rs 650.00 Crs (Existing) Term Loan -2 : Rs 350.00 Crs (Existing) Term Loan -3 : Rs 476.00 Crs (Existing) Term Loan -4 : Rs 440.00 Crs (Existing) Term Loan -5 : Rs 169.00 Crs (Existing) Bank Guarantee : Rs 0.19 Crs (Existing) Term Loan -6 : Rs 47.62 Crs (Fresh) |
| 6. | Purpose of Loan | | To part fund the following segment for supply of drinking water under Mission Bhagiratha for intra village transmission system: TL- 6: Godavari – Kothagudem, Dummugudem Segment, Khammam District (Segment 25/A is covering northern part of the Khammam District covering 22 mandals) at an estimated hard cost of ` 265.78 Crores. |
| 7. | Details of security/ies | | As below: |

a. Primary Securities:

| Nature of security | Description | Value as on | Nature of charge |
|------------------------|---|-----------------------------|----------------------|
| Primary: | | | |
| TL 1- 650 Cr | First pari-passu charge by way of Hypothecation of assets created out of term loan along with other member banks in the consortium. | Fully covering the exposure | First and pari passu |
| TL 2- 350 Cr | First pari-passu charge by way of Hypothecation of assets created out of term loan along with other member banks in the consortium. | Fully covering the exposure | First and pari passu |
| TL 3- 476 Cr | First pari-passu charge by way of Hypothecation of assets created out of term loan along with other member banks in the consortium. | Fully covering the exposure | First and pari passu |
| TL 4- 440 Cr | First pari-passu charge by way of Hypothecation of assets created out of term loan along with other member banks in the consortium. | Fully covering the exposure | First and pari passu |
| TL 5- 169 Cr | First pari-passu charge by way of Hypothecation of assets created out of term loan along with other member banks in the consortium. | Fully covering the exposure | First and pari passu |
| TL 6- 47.62 Cr (Fresh) | First pari-passu charge by way of Hypothecation of assets created out of term loan along with other member banks in the consortium. | Fully covering the exposure | First and pari passu |
| BG | Cash margin | Rs.0.19 cr | |

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b. Collateral Security: Nil

However, the exposure shall be secured by Unconditional and Irrevocable guarantee of Government of Telangana State guaranteeing the repayment of Principal and Interest.

| | | | |
|----|-----------------------------------|---|--|
| 8. | Rate of interest | Fixed or Floating | Floating |
| | | Rate: | Term Loan 6 One year MCLR+ 0.55% i.e. 9.05% p.a. at monthly rests at present Term Loan 1 to be continued on existing terms |
| | | Reset clause, if any | Every Year |
| | | Penal Interest | 2% |
| | In case of NFB facilities | Commission | Not Applicable |
| | | Cash margin | Not Applicable |
| 9. | Terms of repayment for Term Loans | Holiday period, if any | Repayable in 48 structured quarterly installments commencing from 30.06.2019 |
| | | EMI Loans | Not Applicable |
| | | Non-EMI Loans | Term Loan 6 |
| | | Door to Door maturity period | Repayable in 48 structured quarterly installments commencing from 30.06.2019 with a door to door tenor of 14 years. Interest to be serviced as and when debited. |
| | | Date of Commencement of Commercial Operations | Term Loan 1, 2, 3, 4, 5 & BG To continue on existing terms |

10. Repayment Schedule:

The following is the repayment schedule of consortium as a whole and our share is as under:

| Rs in Crs | | | | | | |
|------------------------|----------------|--------------------|-------------|----------|-------------|----------|
| FY Ending (indicative) | No of Quarters | % age of repayment | Consortium | | Our Share | |
| | | | Per quarter | Per Year | Per quarter | Per Year |
| 2019-20 | 4 | 4% | 2.125 | 8.50 | 0.4762 | 1.9048 |
| 2020-21 | 4 | 5% | 2.66 | 10.64 | 0.59525 | 2.381 |
| 2021-22 | 4 | 5% | 2.66 | 10.64 | 0.59525 | 2.381 |
| 2022-23 | 4 | 8% | 4.2525 | 17.01 | 0.9524 | 3.8096 |
| 2023-24 | 4 | 8% | 4.2525 | 17.01 | 0.9524 | 3.8096 |
| 2024-25 | 4 | 10% | 5.315 | 21.26 | 1.1905 | 4.762 |
| 2025-26 | 4 | 10% | 5.315 | 21.26 | 1.1905 | 4.762 |
| 2026-27 | 4 | 10% | 5.315 | 21.26 | 1.1905 | 4.762 |
| 2027-28 | 4 | 10% | 5.315 | 21.26 | 1.1905 | 4.762 |
| 2028-29 | 4 | 10% | 5.315 | 21.26 | 1.1905 | 4.762 |
| 2029-30 | 4 | 10% | 5.315 | 21.26 | 1.1905 | 4.762 |
| 2030-31 | 4 | 10% | 5.315 | 21.26 | 1.1905 | 4.762 |
| Total | 48 | 100% | | 212.62 | | 47.62 |

| | | | |
|----|---|---|--|
| 11 | Expiry Date | 31.03.2031 | |
| 12 | Mode of disbursement | Through current account / TRA with our bank | |
| 13 | Processing Charges/ Documentation Charges etc., | Type of Charge | Amount |
| | | Processing (Working Capital limits – Fund based & Non-fund based) | Not Applicable |
| | | Upfront Fee (Term loans) | 0.075 % of the loan amount plus applicable GST |
| | | Documentation Charges | Waived |
| | | Pre closure/pre payment charges (if applicable) | Waived |
| | | Commitment charges | Waived |
| | | Other charges if any (specify) | Waived except actual out of pocket expenses |
| 14 | Other approvals required (if any) | 1. Accorded Approval for the following Disbursement mechanism at the time of each disbursement for the proposed Term Loan: ➤ The Corporation shall submit details of the Work IDs in respect of all the habitations proposed to be funded before | |

| | | |
|-----------|-----------------------------|--|
| | | <p>release of the limits.</p> <ul style="list-style-type: none"> ➤ After the bills pertaining to works undertaken and supplies made in respect of specific habitation are approved by PAO (Pay & Accounts office), the Corporation shall submit request letter for disbursement along with details of payments to be made in respect of expenditure covered under each Work ID. ➤ For First Disbursement, the Corporation shall submit to the leader Bank/ Bank administering TRA a request for disbursement along with details for release of 80% of the expenditure estimates from TRA. ➤ At the time of seeking subsequent disbursements, the corporation shall: <ul style="list-style-type: none"> a. Submit along with the request letter, Utilization certificate for the expenditure incurred till date in the specific segments financed by us. b. Ensure that overall margin of 20% (including IDC) is maintained. ➤ In case of Expenditure already incurred towards Intra Village Distribution system, the corporation shall submit utilization certificate from Auditor along with request for reimbursement. However expenditure incurred post incorporation of the corporation shall only be considered for reimbursement. This shall be ensured by verifying the Govt. approval for expenditure, which should be post incorporation date of Corporation. <p>2. Accorded approval for standard operating procedure of government of Telangana i.e. Transfer of all the disbursed amounts from all the member banks to Treasury account with State Bank of India (Erstwhile SBH) subject to condition that the Corporation shall re-transfer the same to TRA account maintained with our Bank on same day.</p> <p>3. Continuation of Waiver of External Rating.</p> |
| 15 | Terms and Conditions | As per Annexure-II |
| 16 | Standard Covenants | As per Annexure-III |

Annexure-II

TERMS AND CONDITIONS:

A. Specific terms and conditions:

Pre- disbursement:

1. An undertaking from an authorized official of company to be submitted stating that term loan is not in lieu of or to substitute budgetary resources envisaged for the project as per RBI Master Circular - Loans and Advances – Statutory and Other Restrictions, clause 2.3.8.3.
2. Properly worded Resolution of the Board should be submitted for the borrowing now approved as well as for execution of documents and persons authorized for executing the Documents. The company to ensure that the Corporation is having necessary borrowing powers and do not violate any of the provisions of law.
3. The Company to undertake to utilize the funds for the purpose for which the subject loan has been sanctioned. There should not be any diversion for other purposes.
4. The company to undertake that it shall obtain all the approvals required for implementation of the project.
5. The Company to arrange for submission of Letter of Commitment / Government order from the finance department, Government of Telangana for contributing to 20% of the Project Cost (including IDC) as margin and continue the same till the entire outstanding with the bank is cleared.
6. The State Govt shall approve for the proposed borrowings, extending Govt guarantees along with approval of 20% of the project cost as their margin.
7. The release of the term loan shall be subject to holding the guarantee for the full loan amount duly executed by Government of Telangana.
8. Govt notification duly approving the revised project cost of Rs.46953.00 for the "Mission-Bhagiratha" project should be submitted.
9. Term Loan –VI under consortium will be released upon full financial tie up and joint documentation.

(PTO)

10. Approval of other issues is subject to similar approvals from all other consortium banks to be obtained and held on record.
11. For reimbursement of expenditure already incurred towards Intra Village distribution system, all other guidelines in terms of lending policy guidelines, except for specific approval accorded should be complied with.
12. Branch shall ensure compliance of guidelines relating to submission of "Credit Compliance Certificate" in compliance with HOC 94/09.
13. Company to undertake that any cost reduction shall result in reduction of loan component.
14. Neither the concessional ROI nor the concessional charges (processing charges, upfront fees and other charges) shall be lower than that charged by any of the consortium members for the Term loan under consortium arrangement.
15. Inspection of the existing project should be carried out prior to disbursement of the term loan now approved at the cost of the borrower
16. Declaration from an authorised official of the company should be obtained confirming that the loan amount presently approved shall be utilized only for IDC and intra village connectivity.
17. All the project receipts including water cess collected with respect to project segment financed by our Bank under sole lending should be routed through Escrow Account maintained with our Bank and
18. All the project receipts including water cess collected with respect to project segment financed by our Bank under consortium lending should be routed through Escrow Account maintained with our Bank/ other consortium member Bank
19. State Government shall approve for the proposed borrowing of Rs.212.62 Crore, extending Government guarantee along with approval for infusion of 20% as their margin before release of limits
20. The Corporation shall ensure infusion of margin of 20% as their contribution from second disbursement and every disbursement thereafter.
21. The Corporation shall re-transfer disbursement amounts transferred to SBI to TRA account on the very same day of transfer. An undertaking to this effect shall be submitted.
22. The Corporation shall submit a certificate regarding date of completion of segment before documentation and the same shall be documented as DCCO.
23. The Corporation shall undertake to service the bank loans from the project revenues.
24. The Corporation shall obtain all the statutory and non statutory clearances required for implementation of the project, including environmental clearances, approvals from Central Government agencies before disbursement.
25. The Corporation shall undertake that in the event of reduction in the project cost on account of any savings on account of duties/other taxes, price negotiations or otherwise there would be a prorate reduction in all components of the means of finance.
26. The Corporation shall undertake that in case of any cost overrun in the project cost the same would be met by the Corporation without any recourse to the project lenders.
27. Actual legal expenses incurred by the Lender for documentation, filing of charges, search report etc., shall be borne by the Corporation.
28. The Corporation to ensure that there are no inter-state disputes that affect the progress / implementation of the project.
29. The Corporation to ensure that necessary land is acquired for smooth implementation of the project.
30. The Corporation to ensure that project designs are approved by the competent authority.
31. The Corporation shall ensure that all necessary approvals including environmental clearances, approval from Central Government agencies etc., are obtained in force.
32. If the amount of Interest During Construction (IDC) increases due to difference in actual draw down schedule the same shall be met by the Corporation and if the IDC decreases, the loan amount will be reduced proportionately. An undertaking to this effect shall be submitted.

Other Conditions:

33. It should be ensured that registration of charges with ROC for existing credit facility has been created and necessary search report is obtained. A confirmation for the compliance of the same to be informed to RO.

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34. The corporation to give an undertaking that there is no inter-state disputes that effect the progress / implementation of the project.
35. End use of funds should be ensured in terms of HOC 12070/16200/16344.
36. Company to submit copies of sanction letters of all the participating lenders,. Other terms and conditions proposed by consortium Member Bank will mutatis mutandis be applicable to our sanction also.
37. Audited financials of the company should be submitted

ANNEXURE-III

STANDARD COVENANTS

I. Mandatory Covenants

- M1. The borrower should maintain adequate books of accounts, as per applicable accounting practices and standards, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without notice to the Bank.
- M2. The borrower should submit to the Bank such financial statements as may be required by the Bank from time to time in addition to the set of such statements to be furnished by the borrower to the Bank as on the date of publication of the borrower's annual accounts.
- M3. In Case of default in repayment of the loan/advances or in the payment of the interest thereon or any of the agreed installments of the loan on due date(s) by the borrower, the Bank and/or the RBI will have an unqualified right to disclose or publish the borrower's name or the name of the borrower/unit and its directors/partners/ proprietors as defaulters/willful defaulters in such manner and through such medium as the Bank or RBI in their absolute discretion may think fit.
- M4. The Bank will have the right to share credit information as deemed appropriate with Credit Information Companies (CICs) or any other institution as approved by RBI from time to time.
- M5. The borrower should not induct into its Board a person whose name appears in the willful defaulters list of RBI/CICs. In case such a person is already on the Board of the borrowing company, it would take expeditious and effective steps for removal of that person from its Board. Nominee directors are excluded for this purpose.
- M6. In the event of default in repayment to the Bank or if cross default has occurred, the Bank will have the right to appoint its nominee on the Board of directors of the borrower to look after its interest.
- M7. In Stressed situation or restructuring of debt, the regulatory guidelines provide for conversion of debt to equity. The Bank shall have the right to convert loan to equity or other capital in accordance with the regulatory guidelines.
- M8. Bank will have the right to examine at all times the borrower's book of accounts and to have the borrower's factories inspected, from time to time, by the officer(s) of the Bank and/ or qualified auditors and/or technical experts and or management consultants of the Bank's choice. Cost of such inspection shall be borne by the borrower.
- M9. After provision for tax and other statutory liabilities, unless expressly permitted otherwise, the Bank will have a first right on the profits of the borrower for repayment of amounts due to the Bank.
- M10. The borrower shall keep the Bank informed of the happening of any event likely to have a substantial effect on their profit or business; for instance, if, the monthly production or sales are substantially less than what had been indicated, the borrower shall immediately inform the Bank with explanations and the remedial steps taken and/or proposed to be taken.
- M11. Effect any change in the borrower's capital structure where the shareholding of the existing promoter(s) gets diluted below current level or 51% of the controlling stake(whichever is lower), without prior permission of the Bank- for which 60 days' prior notice shall be required. In case of limited liability partnerships and partnership firms 'promoters' would mean managing partners for the purpose of this covenant.
- M12. The borrower will utilize the funds for the purpose they have been lent. Any deviation will be dealt with as per RBI guidelines.
- M13. Promoter's shares in the borrowing entity should not be pledged to any Bank/NBFC/ institution without our consent.

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- M14. For Term Loan (> Rs.50 Crores)- Covenants [in relation to certain(say three) agreed parameters] are to be stipulated for all term loans and these are required to be tested annually on the basis of Audited Balance Sheet (ABS). Penal interest will be charged in case of breach of (any or as mutually agreed between the Bank and the borrower) of the parameters vis-à-vis values as approved. The penal interest will apply from the day after the date of ABS, and shall continue till the breach is cured. Further, it may be specifically indicated that the breach of financial covenant may be considered by lenders as an Event of Default.
- M15. Each of the following events will attract penal interest/charges as applicable , at rates circulated from time to time, over and above the normal interest applicable in the account:
- a) For the period of overdue interest/ installment in respect of Term Loans and over – drawing above the drawing power/limit in Fund Based Working Capital accounts on account of interest / devolvement of Letters of Credit / Bank Guarantee, insufficient stocks and receivables, etc.
 - b) Delay in submission of stock statements defined as number of days as per bank specific Policy.
 - c) Non-submission of Audited Balance Sheet within 8 months of closure of financial year.
 - d) Non-Submission /Delayed submission of FFRs, wherever stipulated, within due date
 - e) Non-submission of review/renewal data at least one month prior to due date.
 - f) Non-obtention of External credit risk rating from agency approved by RBI.

II. Mandatory Negative covenants

MN1. In the event of default, or where signs of inherent weakness are apparent, the Bank shall have the right to securitize the assets charged and in the event of such securitization, the Bank will suitably inform the borrower(s) and guarantor(s).

The undernoted covenants will be subject to prior notice being given by the borrower and being agreed to by the Bank. If the Bank turns down the borrower's request but the later still goes ahead, the Bank shall have the right to call up the facilities sanctioned.

MN2. Formulate any scheme of amalgamation or reconstruction.

MN3. Undertake any new project, implement any scheme of expansion/diversification or capital expenditure or acquired fixed assets(Except normal replacements indicated in funds flow statement submitted to and approved by the Bank) if such investment results into breach of financial covenants or diversion of working capital funds to financing of long term assets.

MN4. Invest by way of share capital in or lend or advance funds to or place deposits with any other concern(including group companies); normal trade credit or security deposits in the ordinary course of business or advances to employees can, however, be extended. Such investment should not result in breach of financial covenants relating to TOL/Adj. TNW and current ratio agreed at the time of sanction.

MN5. Enter into borrowing arrangement either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits which increases indebtedness beyond permitted limits, stipulated if any at the time of sanction.

MN6. Undertake any guarantee or letter of comfort in the nature of guarantee on behalf of any other company (including group companies).

MN7. Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that such distribution may be permitted only if no event of default/ breach in financial covenant is subsisting in any repayment obligations to the Bank.

MN8. Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons.

MN9. Sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the Bank. However, fixed asset to the extent of 5 % of Gross Block may be sold in any financial year provided such sale does not dilute FACR below minimum stipulated level. (Not applicable for unsecured loan).

MN10. Enter into any contractual obligation of a long term nature or which, in the reasonable assessment of the Bank, is detrimental to lender's interest, viz., acquisitions beyond the capability of borrower as determined by the present scale of operations or tangible net worth of the borrower/net means of promoters etc., leveraged buyout etc.

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- MN11.Change the practice with regard to remuneration of Directors by means of ordinary, remuneration or commission, scale of sitting or setting fees etc. except where mandated by any legal or regulatory provisions.
- MN12.Undertake any trading activity other than the sale of products arising out of its own manufacturing operations. (Not applicable in case finance is for trading activity only).
- MN13.Permit any transfer of the controlling interest or make any drastic change in the management set-up including resignation of promoter directors.
- MN14.Repay monies brought in by the Promoters/Directors/ Principal Shareholders and their friends and relatives by way of deposits/loans/advances. Further, the rate of interest, if any payable on such deposits /loans/advances should be lower than the rate of interest charged by the Bank on its term loan and payment of such interest will be subjected to regular repayment of installments to term loans granted/ deferred payment guarantees executed by the Bank or other repayment obligations, if any, due from the borrower to the Bank.
- MN15.The borrower shall keep the Bank advised or any circumstance adversely affecting the financial position of subsidiaries/group companies or companies in which it has invested, including any action taken by any creditor against the said companies legally or otherwise.
- MN16.The borrower shall deal with our bank/ banks under consortium/ multiple banking arrangements exclusively, shall not open current account/s with any other bank without our prior permission. The borrower's entire business relating to their activity including deposit, remittances, bills/cheque purchase, non-fund based transactions including LCs and BGs, Forex transactions, merchant banking, any interest rate or currency hedging business etc. should be restricted only to the financing banks under consortium/multiple banking arrangements.
- MN17.No Commission to be paid by the borrowers to the guarantors for guaranteeing the credit facilities sanctioned by the Bank to the borrowers.
- MN18.Approach capital market for mobilizing additional resources either in the form of debt or equity.
- MN19. Fund based Limits both in Working Capital and Term Loan, should be regulated through an Escrow Mechanism as agreed among banks to avoid any kind of diversion of funds.

SMITA SABHARWAL
SECRETARY TO GOVERNMENT (RWS) (FAC)

SECTION OFFICER